

Argentine Township
Genesee County, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2008

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 – 1
3 Managements' Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Proprietary Funds	
Statement of Net Assets	4 – 7
Statement of Revenues, Expenses and Changes in Fund Net Assets	4 – 8
Statement of Cash Flows	4 – 9
Fiduciary Funds	
Statement of Assets and Liabilities	4 – 10
Notes to Financial Statements	4 – 11

SectionPage**5 Required Supplemental Information**

Budgetary Comparison Schedule

General Fund

5 – 1

Police Fund

5 – 4

Fire Fund

5 – 5

Garbage Fund

5 – 6

Peninsular & Belfast Special Revenue Fund

5 – 7

Sunset/Softwater Special Revenue Fund

5 – 8

General Road Improvements Fund

5 – 9

Haviland Beach Special Revenue Fund

5 – 10

Lobdell Road Paving Special Revenue Fund

5 – 11

6 Other Supplemental Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 – 1

Combining Statement of Revenue, Expenditures and Changes in Fund Balance Fund Balance

6 – 2

Argentine Township
List of Elected and Appointed Officials
June 30, 2008

Township Board

Robert Cole, Supervisor

Joseph Graves, Clerk

Norm Schmidt, Treasurer

Jason King, Trustee

Theresa Ciesielski, Trustee

Independent Auditors' Report

Township Board
Argentine Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Argentine Township as of and for the year ended June 30, 2008, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Argentine Township as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Argentine Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

December 23, 2008
Alma, Michigan

Township of Argentine

Management's Discussion and Analysis

Year Ended June 30, 2008

Our discussion and analysis of the Township of Argentine financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008.

The General Fund continued to subsidize both the Police and Fire assessments in order to provide our residents a quality service provided by local departments.

For the next fiscal year (2008 – 2009), the board will continue the use of a line item budget to assist in controlling the amount of spending and to better understand where the real costs are being incurred.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Argentine as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2008

The Township of Argentine as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities 2008	Business-type Activities 2008	Total 2008	Total 2007
Assets	\$ 3,180,114	\$ 1,121,695	\$ 4,301,809	\$ 4,967,746
Capital assets	436,650	1,268,548	1,705,198	1,865,654
Total assets	<u>3,616,764</u>	<u>2,390,243</u>	<u>6,007,007</u>	<u>6,833,400</u>
Current liabilities	741,448	1,258,655	2,000,103	1,731,920
Long term liabilities	1,266,566	74,389	1,340,955	1,678,552
Total liabilities	<u>2,008,014</u>	<u>1,333,044</u>	<u>3,341,058</u>	<u>3,410,472</u>
Net Assets				
Invested in capital assets, net of related debt	285,969	1,194,159	1,480,128	1,558,358
Restricted	94,843	-	94,843	53,616
Unrestricted	<u>1,227,938</u>	<u>(136,960)</u>	<u>1,090,978</u>	<u>1,810,954</u>
Total net assets	<u><u>\$ 1,608,750</u></u>	<u><u>\$ 1,057,199</u></u>	<u><u>\$ 2,665,949</u></u>	<u><u>\$ 3,422,928</u></u>

The Township of Argentines net assets of governmental activities are \$1,608,750 and \$1,057,199 for business type activities; of these amounts \$1,227,938 (governmental) and (\$136,960) (business-type) are unrestricted assets.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2008

The following table shows, in a condensed format, the change in net assets as of the current date and compared to the prior year:

	Governmental Activities	Business-type Activities	Total 2008	Total 2007
Revenue				
Program revenue				
Charges for services	\$ 405,845	\$ 712,286	\$ 1,118,131	\$ 1,137,859
Capital grants and contributions	1,098,257	-	1,098,257	1,130,669
General revenue				
Property taxes	250,158	-	250,158	233,593
State-shared revenue	449,506	-	449,506	438,606
Interest	68,783	14,896	83,679	101,119
Franchise fees and other revenue	113,925	-	113,925	95,376
Transfers in	35,000	-	35,000	35,000
Total Revenue	<u>2,421,474</u>	<u>727,182</u>	<u>3,148,656</u>	<u>3,172,222</u>
Expenses				
Program expenses				
General government	513,250	-	513,250	502,001
Public safety	1,162,431	-	1,162,431	1,000,247
Public works	879,903	-	879,903	786,434
Community and economic development	40,528	-	40,528	27,352
Recreation and culture	112,079	-	112,079	125,154
Interest on long-term debt	87,943	-	87,943	52,400
Sewer	-	1,074,501	1,074,501	687,009
Transfers out	-	35,000	35,000	35,000
Total expenses	<u>2,796,134</u>	<u>1,109,501</u>	<u>3,905,635</u>	<u>3,215,597</u>
Change in net assets	<u>\$ (374,660)</u>	<u>\$ (382,319)</u>	<u>\$ (756,979)</u>	<u>\$ (43,375)</u>

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2008

Governmental Activities

The Township of Argentine's total governmental activity revenues were \$2,421,474. This was a \$9,545 increase in revenues compared to the prior year.

Governmental activity expenditures of \$2,796,134 were recorded for the year.

The Townships capital assets remained the same from June 30, 2007 to June 30, 2008. The only change was due to depreciation expense of \$160,456.

The Townships long-term debt decreased by \$337,597. This decrease was due to scheduled payments being made.

Business Type Activities

The Township also provides municipal sanitary sewer to its residents around the lake.

Township of Argentine Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Argentine as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Garbage Funds. The Argentine Township governmental major funds include General Fund, Police, Fire, Garbage, Peninsular and Belfast, Sunset/Softwater, General Road Improvements, Haviland Beach, and Lobdell Road Paving fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

b) **Police Fund**

The Police Fund is funded through a special assessment approved by the residents. The Assessment collected in 2007-08 was \$336,720.

c) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2007-08 was \$364,780.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2008

30% of each assessment dollar collected is left in the Fire fund to pay for major equipment purchases. The remaining 70% is then transferred to the General Fund to cover the fire expenses of \$310,638. The assessment covers about 78% of total expenses. The balance is paid with State Shared Revenue and property taxes.

d) **Garbage Fund**

Residents have approved a special assessment to pay for Township wide Garbage collection. The Assessment collected in 2007-08 was \$358,050.

e) **Peninsular and Belfast Fund**

Special Assessments were setup to pay for paving on Peninsular Drive and Belfast Road. There is \$42,097 left to be collected on the original assessment. An additional special assessment for \$225,000 was started in 2004. Special assessments of \$42,054 were received during the 2007-08 on the original assessment. No amounts were received in 2007-08 on the 2004 assessment.

f) **Sunset/Softwater Fund**

Special Assessments of \$468,904 were set up for general road improvements. Special assessments of \$46,960 were received during the 2007-08.

g) **General Road Improvements Fund**

Special assessments of \$269,078 were received during 2007-08.

h) **Haviland Beach Fund**

Special Assessments were setup to pay for paving on Haviland Beach. There is \$62,437 left to be collected on the original assessment. An additional special assessment for \$225,000 was started in 2004. Special assessments of \$26,590 were received during the 2007-08 on the original assessment. No amounts were received in 2007-08 on the 2004 assessment.

i) **Lobdell Road Paving Fund**

Special Assessments were setup to pay for paving on Lobdell road. There is \$181,289 left to be collected on this assessment. During the 2007-08 year, \$35,431 of special assessments was collected.

**Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2008**

General Fund Budgetary Highlights

Over the course of the year, the Township Board and Township administration monitor and amend the budget to account for unanticipated events during the year. Due to the lack of desire among the majority of the residents and Township Board members to increase the Police and Fire Special Assessments the Township Board of Trustees decided to use money from savings or Fund Balance to cover losses. This will continue to be a concern for the foreseeable future.

Economic Factors and Next Year's Budgets and Rates

As this budget year closes there are a number of factors that will influence next years budget, including the negative growth rate in the state and township and the amount of building permits has declined.

Contacting the Township of Argentine Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Argentine finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

Argentine Township
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,044,067	\$ 656,050	\$ 2,700,117
Receivables			
Customers	14,269	450,902	465,171
Special assessments	946,843	-	946,843
Accrued interest and other	1,070	-	1,070
Due from other units of government	144,637	43,971	188,608
Internal balances	29,228	(29,228)	-
Restricted assets			
Capital assets - non depreciable	45,000	31,525	76,525
Capital assets, net	<u>391,650</u>	<u>1,237,023</u>	<u>1,628,673</u>
 Total assets	 <u>3,616,764</u>	 <u>2,390,243</u>	 <u>6,007,007</u>
Liabilities			
Accounts payable	335,060	1,204,891	1,539,951
Accrued and other liabilities	25,964	559	26,523
Due to other units of government	-	53,205	53,205
Noncurrent liabilities			
Due within one year	380,424	74,389	454,813
Due in more than one year	<u>1,266,566</u>	<u>-</u>	<u>1,266,566</u>
 Total liabilities	 <u>2,008,014</u>	 <u>1,333,044</u>	 <u>3,341,058</u>
Net Assets			
Invested in capital assets, net of related debt	285,969	1,194,159	1,480,128
Restricted for:			
Lakes	94,843	-	94,843
Unrestricted	<u>1,227,938</u>	<u>(136,960)</u>	<u>1,090,978</u>
 Total net assets	 <u>\$ 1,608,750</u>	 <u>\$ 1,057,199</u>	 <u>\$ 2,665,949</u>

See Accompanying Notes to Financial Statements

Argentine Township
Statement of Activities
For the Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 513,250	\$ 24,815	\$ -	\$ -	\$ (488,435)	\$ -	\$ (488,435)
Public safety	1,162,431	480	-	701,500	(460,451)	-	(460,451)
Public works	879,903	380,550	-	396,757	(102,596)	-	(102,596)
Community and economic development	40,528	-	-	-	(40,528)	-	(40,528)
Recreation and culture	112,079	-	-	-	(112,079)	-	(112,079)
Interest on long-term debt	87,943	-	-	-	(87,943)	-	(87,943)
Total governmental activities	<u>2,796,134</u>	<u>405,845</u>	<u>-</u>	<u>1,098,257</u>	<u>(1,292,032)</u>	<u>-</u>	<u>(1,292,032)</u>
Business-type activities							
Sewer	<u>1,074,501</u>	<u>712,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,215)</u>	<u>(362,215)</u>
Total primary government	<u>\$ 3,870,635</u>	<u>\$ 1,118,131</u>	<u>\$ -</u>	<u>\$ 1,098,257</u>	<u>(1,292,032)</u>	<u>(362,215)</u>	<u>(1,654,247)</u>
General revenues							
Property taxes					250,158	-	250,158
State shared revenue					449,506	-	449,506
Unrestricted investment earnings					68,783	14,896	83,679
Miscellaneous					113,925	-	113,925
Transfers					<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total general revenues and transfers					<u>917,372</u>	<u>(20,104)</u>	<u>897,268</u>
Change in net assets					(374,660)	(382,319)	(756,979)
Net assets - beginning of year					<u>1,983,410</u>	<u>1,439,518</u>	<u>3,422,928</u>
Net assets - end of year					<u>\$ 1,608,750</u>	<u>\$ 1,057,199</u>	<u>\$ 2,665,949</u>

See Accompanying Notes to Financial Statements

Argentine Township
Governmental Funds
Balance Sheet
June 30, 2008

	Special Revenue Funds									Nonmajor Governmental Funds	Total Governmental Funds
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	General Road Improvements	Haviland Beach	Lobdell Road Paving		
Assets											
Cash and cash equivalents	\$ 6,324	\$ 33,597	\$ 296,876	\$ 339,471	\$ 237,895	\$ 152,768	\$ 563,257	\$ 187,840	\$ 1,636	\$ 224,403	\$ 2,044,067
Receivables											
Customers	14,269	-	-	-	-	-	-	-	-	-	14,269
Special assessments	-	-	-	-	267,097	166,250	-	287,437	181,289	44,770	946,843
Accrued interest and other	1,070	-	-	-	-	-	-	-	-	-	1,070
Due from other units of government	144,637	-	-	-	-	-	-	-	-	-	144,637
Due from other funds	194,589	-	-	21,900	-	-	-	332	-	13,961	230,782
Total assets	\$ 360,889	\$ 33,597	\$ 296,876	\$ 361,371	\$ 504,992	\$ 319,018	\$ 563,257	\$ 475,609	\$ 182,925	\$ 283,134	\$ 3,381,668
Liabilities											
Accounts payable	\$ 13,559	\$ 121	\$ 11,003	\$ 67,525	\$ -	\$ 42,197	\$ 79,733	\$ 36,606	\$ 5,544	\$ 78,772	\$ 335,060
Accrued and other liabilities	9,176	-	-	-	-	-	-	-	-	-	9,176
Due to other funds	3,068	160	140	50	146,975	-	21,900	-	-	29,261	201,554
Deferred revenue	-	-	-	-	267,097	166,250	-	287,437	181,289	44,770	946,843
Total liabilities	25,803	281	11,143	67,575	414,072	208,447	101,633	324,043	186,833	152,803	1,492,633
Fund Balances											
Reserved for:											
Reserved for Lake Improvements	-	-	-	-	-	-	-	-	-	94,843	94,843
Unreserved											
Designated for:											
Special projects	24,269	-	-	-	-	-	-	-	-	-	24,269
Unreserved, reported in:											
General fund	310,817	-	-	-	-	-	-	-	-	-	310,817
Special revenue funds (deficit)	-	33,316	285,733	293,796	90,920	110,571	461,624	151,566	(3,908)	35,488	1,459,106
Total fund balances (deficit)	335,086	33,316	285,733	293,796	90,920	110,571	461,624	151,566	(3,908)	130,331	1,889,035
Total liabilities and fund balances	\$ 360,889	\$ 33,597	\$ 296,876	\$ 361,371	\$ 504,992	\$ 319,018	\$ 563,257	\$ 475,609	\$ 182,925	\$ 283,134	\$ 3,381,668

Argentine Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2008

Total fund balances for governmental funds	\$ 1,889,035
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	436,650
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	946,843
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(16,788)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,646,990)</u>
Net assets of governmental activities	<u>\$ 1,608,750</u>

Argentine Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds										
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	General Road Improvements	Haviland Beach	Lobdell Road Paving	Nonmajor Governmental Funds	Total Governmental Funds
Revenues											
Taxes	\$ 250,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,158
Special assessments	-	336,720	364,780	379,950	50,204	46,960	247,178	26,590	35,431	168,465	1,656,278
Licenses and permits	75,812	480	520	600	-	-	-	-	-	-	77,412
State revenue sharing	449,506	-	-	-	-	-	-	-	-	-	449,506
Charges for services	3,550	-	-	-	-	-	-	-	-	-	3,550
Fines and forfeitures	650	-	-	-	-	-	-	-	-	-	650
Interest income	1,737	59	7,487	11,112	8,439	5,645	25,768	5,858	341	2,336	68,782
Other revenue	51,531	6,679	-	-	-	-	-	-	-	-	58,210
Total revenues	832,944	343,938	372,787	391,662	58,643	52,605	272,946	32,448	35,772	170,801	2,564,546
Expenditures											
Current											
General government	507,083	-	-	-	-	-	-	-	-	-	507,083
Public safety	1,007,594	-	-	-	-	-	-	-	-	-	1,007,594
Public works	35,741	-	-	292,715	-	-	551,447	-	-	-	879,903
Community and economic development	9,229	-	-	-	-	-	-	-	-	31,299	40,528
Recreation and culture	-	-	-	-	-	-	-	-	-	112,079	112,079
Capital outlay	39,796	-	-	-	-	-	-	-	-	-	39,796
Debt service											
Principal retirement	-	-	26,434	-	43,889	45,000	170,000	21,111	-	-	306,434
Interest and fiscal charges	-	-	7,799	-	14,273	12,775	35,955	4,636	2,656	817	78,911
Total expenditures	1,599,443	-	34,233	292,715	58,162	57,775	757,402	25,747	2,656	144,195	2,972,328
Excess (deficiency) of revenues over expenditures	(766,499)	343,938	338,554	98,947	481	(5,170)	(484,456)	6,701	33,116	26,606	(407,782)
Other financing sources (uses)											
Transfers in	607,478	-	-	-	-	-	-	-	-	2,619	610,097
Transfers out	(2,619)	(329,400)	(243,078)	-	-	-	-	-	-	-	(575,097)
Total other financing sources and uses	604,859	(329,400)	(243,078)	-	-	-	-	-	-	2,619	35,000
Net change in fund balance	(161,640)	14,538	95,476	98,947	481	(5,170)	(484,456)	6,701	33,116	29,225	(372,782)
Fund balance (deficit) - beginning of year	496,726	18,778	190,257	194,849	90,439	115,741	946,080	144,865	(37,024)	101,106	2,261,817
Fund balance (deficit) - end of year	\$ 335,086	\$ 33,316	\$ 285,733	\$ 293,796	\$ 90,920	\$ 110,571	\$ 461,624	\$ 151,566	\$ (3,908)	\$ 130,331	\$ 1,889,035

Argentine Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds \$ (372,782)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (121,208)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Special assessments (178,071)

Expenses are recorded when incurred in the statement of activities

Accrued interest (9,032)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt 306,433

Change in net assets of governmental activities \$ (374,660)

Argentine Township
Proprietary Funds
Statement of Net Assets
June 30, 2008

	<u>Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 656,050
Receivables	
Customers	450,902
Due from other units of government	43,971
Due from other funds	<u>3,068</u>
Total current assets	1,153,991
Noncurrent assets	
Capital assets, net	<u>1,268,548</u>
Total assets	<u>2,422,539</u>
Liabilities	
Current liabilities	
Accounts payable	1,204,891
Accrued and other liabilities	559
Due to other funds	32,296
Due to other units of government	53,205
Current portion of noncurrent liabilities	<u>74,389</u>
Total current liabilities	1,365,340
Net Assets	
Invested in capital assets, net of related debt	1,194,159
Unrestricted (deficit)	<u>(136,960)</u>
Total net assets	<u>\$ 1,057,199</u>

See Accompanying Notes to Financial Statements

Argentine Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008

	<u>Sewer</u>
Operating revenue	
Customer fees	\$ 692,863
Other revenue	<u>19,423</u>
Total operating revenue	<u>712,286</u>
 Operating expenses	
Personnel services	350
Contractual services	1,030,257
Utilities	108
Other expenses	372
Depreciation	<u>39,248</u>
Total operating expenses	<u>1,070,335</u>
 Operating income	<u>(358,049)</u>
 Nonoperating revenue (expenses)	
Interest income	14,896
Interest expense	<u>(4,166)</u>
Total nonoperating revenues	<u>10,730</u>
 Income before transfers	(347,319)
 Transfers out	<u>(35,000)</u>
 Change in net assets	<u>(382,319)</u>
 Net assets - beginning of year	<u>1,439,518</u>
 Net assets - end of year	<u>\$ 1,057,199</u>

See Accompanying Notes to Financial Statements

Argentine Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2008

	Sewer
Cash flows from operating activities	
Receipts from customers	\$ 730,959
Payments to suppliers	(1,030,763)
Payments to employees	(350)
Net cash used by operating activities	<u>(300,152)</u>
Cash flows from noncapital financing activities	
Transfers to other funds	<u>(35,000)</u>
Cash flows from capital and related financing activities	
Principal and interest paid on long-term debt	<u>(59,959)</u>
Cash flows from investing activities	
Interest received	<u>14,896</u>
Net change in cash and cash equivalents	(380,215)
Cash and cash equivalents - beginning of year	<u>1,036,265</u>
Cash and cash equivalents - end of year	<u>\$ 656,050</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating loss	\$ (358,049)
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	39,248
Changes in assets and liabilities	
Receivables (net)	19,048
Due from other units of government	(375)
Accrued and other liabilities	(407)
Due to other units of government	<u>381</u>
Net cash used by operating activities	<u>\$ (300,152)</u>

See Accompanying Notes to Financial Statements

Argentine Township
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2008

	Tax Fund
	<hr/>
Assets	
Cash and cash equivalents	\$ 40,082
	<hr/>
Liabilities	
Due to other units of government	\$ 40,082
	<hr/>

See Accompanying Notes to Financial Statements

Argentine Township
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Argentine Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Argentine Township
Notes to Financial Statements
June 30, 2008

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.

The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.

The Garbage Fund accounts for special assessments that are restricted for sanitary services.

The Peninsular and Belfast Fund accounts for special assessments that are restricted for paving projects.

The Sunset/Softwater Fund accounts for special assessments that are restricted for paving projects.

The General Road Improvements Fund accounts for special assessments that are restricted for paving projects.

The Haviland Beach Fund accounts for special assessments that are restricted for paving projects.

The Lobdell Road Paving Fund accounts for special assessments that are restricted for paving projects.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Argentine Township
Notes to Financial Statements
June 30, 2008

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as

“advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$231,899,360, on which ad valorem taxes consisted of .7021 mills for operating purposes. This resulted in \$159,825 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Certain payments to vendors reflects costs applicable to future fiscal years and are recorded as prepaid costs in both the government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Argentine Township
Notes to Financial Statements
June 30, 2008

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY **Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to July 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Argentine Township
Notes to Financial Statements
June 30, 2008

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007, the Township incurred expenditures in the General and Special Revenue Funds in excess of the amount appropriated as follows:

Fund	Total Appropriation	Amount Expended	Unfavorable Variance
General Fund			
General Government	\$ 505,021	\$ 507,083	\$ 2,062
Capital Outlay	33,993	39,796	5,803
Garbage Fund			
Public Works	287,508	292,715	5,207
Peninsular & Belfast			
Debt Service	48,054	58,162	10,108
Sunset Softwater			
Debt Service	47,390	57,775	10,385
General Road Improvements			
Public Works	85,846	551,447	465,601
Haviland Beach			
Debt Service	21,134	25,747	4,613

Deficit fund equity

The Township has accumulated a net asset deficit in the Lobdell Road Paving and Knobhill funds. These deficits will be eliminated with future special assessments or General Fund transfers. Sewer fund has accumulated an unrestricted net asset deficit. This will be eliminated with future customer billings.

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 2,044,067
Business-type activities	656,050
Total primary government	2,700,117
Fiduciary funds	40,082
Total	\$ 2,740,199

The breakdown of deposits is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,697,582	\$ 40,082
Petty cash and cash on hand	2,535	-
	<u>\$ 2,700,117</u>	<u>\$ 40,082</u>

Argentine Township
Notes to Financial Statements
June 30, 2008

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$2,839,191 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
Primary government	
Special assessments	\$ 791,756

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Primary government	
Special assessments	\$ 946,843

Argentine Township **Notes to Financial Statements** **June 30, 2008**

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated				
Land improvements	9,500	-	-	9,500
Buildings, additions and improvements	399,200	-	-	399,200
Machinery and equipment	122,774	-	-	122,774
Vehicles	1,612,710	-	-	1,612,710
Total capital assets being depreciated	2,144,184	-	-	2,144,184
Less accumulated depreciation for				
Land improvements	7,916	633	-	8,549
Buildings, additions and improvements	155,626	10,164	-	165,790
Machinery and equipment	58,235	14,340	-	72,575
Vehicles	1,409,549	96,071	-	1,505,620
Total accumulated depreciation	1,631,326	121,208	-	1,752,534
Net capital assets being depreciated	512,858	(121,208)	-	391,650
Governmental activities capital assets, net	\$ 557,858	\$ (121,208)	\$ -	\$ 436,650

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 31,525	\$ -	\$ -	\$ 31,525
Capital assets being depreciated				
Sewer system	1,962,377	-	-	1,962,377
Less accumulated depreciation for				
Sewer system	686,106	39,248	-	725,354
Net capital assets being depreciated	1,276,271	(39,248)	-	1,237,023
Business-type capital assets, net	\$ 1,307,796	\$ (39,248)	\$ -	\$ 1,268,548

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 5,904
Public safety	115,304
Total governmental activities	121,208
Business-type activities	
Sewer	39,248
Total primary government	\$ 160,456

Argentine Township
Notes to Financial Statements
June 30, 2008

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Fire Fund	\$ 140
General Fund	Police Fund	160
General Fund	Garbage Fund	50
General Fund	Sewer Fund	32,296
General Fund	Knobhill Fund	15,300
General Fund	Peninsular and Belfast Fund	146,643
Lake Improvements Fund	Knobhill Fund	13,961
Garbage Fund	General Road Improvement	21,900
Haviland Beach	Peninsular and Belfast Fund	332
Sewer Fund	General Fund	3,068
		<u>\$ 233,850</u>

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Police Fund	General Fund	\$ 329,400
Fire Fund	General Fund	243,078
General Fund	Smith Road	105
General Fund	Crest Drive	2,514
Sewer Fund	General Fund	35,000
		<u>\$ 610,097</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Argentine Township
Notes to Financial Statements
June 30, 2008

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment bonds									
1999 Peninsular & Belfast	\$ 300,000	11/1/08	4.30%	\$30,000	\$ 60,000	-	\$ 30,000	\$ 30,000	\$ 30,000
2004B Bond	250,000	5/1/13	5.37%	\$37,778 - \$42,778	228,333	-	13,889	214,444	38,889
2004A Bond	200,000	5/1/13	3.60%	\$22,222	126,667	-	21,111	105,556	21,111
2005 Sunset/Softwater	485,000	5/1/14	3.25% - 4.25%	\$45,000 - \$50,000	340,000	-	45,000	295,000	50,000
Lobdell Road Paving Project	428,272	8/1/11	3.70%	\$42,827	171,309	-	-	171,309	42,827
2007 Road Improvement Bond	850,000	4/30/12	4.20%	\$170,000	850,000	-	170,000	680,000	170,000
Contracts payable - 2003 Fire Truck	272,540	11/1/12	4.00%	\$27,597 - \$32,788	177,114	-	26,433	150,681	27,597
Total governmental activities					<u>\$ 1,953,423</u>	<u>\$ -</u>	<u>\$ 306,433</u>	<u>\$ 1,646,990</u>	<u>\$ 380,424</u>
Business-type activities									
Contracts payable									
1999 System No. 7 Upgrade	\$ 502,133	11/1/08	4.50%	\$74,390	\$ 130,182	\$ -	\$ 55,793	\$ 74,389	\$ 74,389

Argentine Township
Notes to Financial Statements
June 30, 2008

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 380,424	\$ 68,690	\$ 74,389	\$ 1,674
2010	356,639	53,527	-	-
2011	352,907	38,494	-	-
2012	557,020	34,245	-	-
	<u>\$ 1,646,990</u>	<u>\$ 194,956</u>	<u>\$ 74,389</u>	<u>\$ 1,674</u>

NOTE 10 – CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Townships attorneys, the resolution of these matters could have a material adverse effect on the financial condition of the Township.

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. Pension expense charged to operations for the current year ended June 30, 2008 was \$42,689, which is for current service costs. There are no unfunded prior service costs.

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	\$ 222,725	\$ 250,154	\$ 250,158	\$ 4
Licenses and permits	82,600	82,635	75,812	(6,823)
State revenue sharing	433,377	445,879	449,506	3,627
Charges for services	6,000	6,000	3,550	(2,450)
Fines and forfeitures	1,500	1,500	650	(850)
Interest income	1,100	1,238	1,737	499
Other revenue	33,000	52,965	51,531	(1,434)
Transfer in	613,358	613,358	607,478	(5,880)
Total revenues	1,393,660	1,453,729	1,440,422	(13,307)

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Township board	\$ 331,217	\$ 304,072	\$ 305,076	\$ 1,004
Supervisor	97,531	103,625	103,625	-
Clerk	23,605	23,140	23,137	(3)
Board of review	4,506	4,402	4,398	(4)
Treasurer	28,633	28,876	28,872	(4)
Elections	11,536	8,804	10,044	1,240
Buildings and grounds	17,200	25,981	25,818	(163)
Cemetery	7,300	6,121	6,113	(8)
Total general government	<u>521,528</u>	<u>505,021</u>	<u>507,083</u>	<u>2,062</u>
Public safety				
Police	443,844	669,987	669,819	(168)
Fire department	255,042	310,595	310,638	43
Building inspection department	<u>39,300</u>	<u>27,035</u>	<u>27,137</u>	<u>102</u>
Total public safety	<u>738,186</u>	<u>1,007,617</u>	<u>1,007,594</u>	<u>(23)</u>
Public works				
Drains	34,612	14,209	14,209	-
Highways, streets and bridges	<u>51,108</u>	<u>21,532</u>	<u>21,532</u>	<u>-</u>
Total public works	<u>85,720</u>	<u>35,741</u>	<u>35,741</u>	<u>-</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Community and economic development				
Planning	\$ 7,013	\$ 4,494	\$ 4,494	\$ -
Zoning	6,213	4,735	4,735	-
Total community and economic development	13,226	9,229	9,229	-
Capital outlay	35,000	33,993	39,796	5,803
Transfers out	-	2,619	2,619	-
Total expenditures	1,393,660	1,594,220	1,602,062	7,842
Deficiency of revenues over expenditures	-	(140,491)	(161,640)	(21,149)
Fund balance - beginning of year	496,726	496,726	496,726	-
Fund balance - end of year	<u>\$ 496,726</u>	<u>\$ 356,235</u>	<u>\$ 335,086</u>	<u>\$ (21,149)</u>

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 336,840	\$ 336,840	\$ 336,720	\$ (120)
Licenses and permits	-	-	480	480
Interest income	-	-	59	59
Other revenue	-	-	6,679	6,679
Total revenues	<u>336,840</u>	<u>336,840</u>	<u>343,938</u>	<u>7,098</u>
Expenditures				
Transfers out	<u>336,840</u>	<u>336,840</u>	<u>329,400</u>	<u>(7,440)</u>
Excess of revenues over expenditures	-	-	14,538	14,538
Fund balance - beginning of year	<u>18,778</u>	<u>18,778</u>	<u>18,778</u>	<u>-</u>
Fund balance - end of year	<u>\$ 18,778</u>	<u>\$ 18,778</u>	<u>\$ 33,316</u>	<u>\$ 14,538</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Special assessments	\$ 364,910	\$ 363,220	\$ 364,780	\$ 1,560
Licenses and permits	-	-	520	520
Interest income	2,000	2,000	7,487	5,487
Total revenues	366,910	365,220	372,787	7,567
Expenditures				
Current				
Capital outlay	25,000	25,000	-	(25,000)
Debt service				
Principal retirement	26,434	26,434	26,434	-
Interest and fiscal charges	7,798	7,798	7,799	1
Transfers out	243,078	243,078	243,078	-
Total expenditures	302,310	302,310	277,311	(24,999)
Excess of revenues over expenditures	64,600	62,910	95,476	32,566
Fund balance - beginning of year	190,257	190,257	190,257	-
Fund balance - end of year	\$ 254,857	\$ 253,167	\$ 285,733	\$ 32,566

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Garbage Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 380,070	\$ 380,070	\$ 379,950	\$ (120)
Licenses and permits	-	-	600	600
Interest income	3,000	3,000	11,112	8,112
Total revenues	383,070	383,070	391,662	8,592
Expenditures				
Current				
Public works	287,508	287,508	292,715	5,207
Excess of revenues over expenditures	95,562	95,562	98,947	3,385
Fund balance - beginning of year	194,849	194,849	194,849	-
Fund balance - end of year	\$ 290,411	\$ 290,411	\$ 293,796	\$ 3,385

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Peninsular & Belfast Special Revenue Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 42,054	\$ 42,054	\$ 50,204	\$ 8,150
Interest income	6,000	6,000	8,439	2,439
Total revenues	<u>48,054</u>	<u>48,054</u>	<u>58,643</u>	<u>10,589</u>
Expenditures				
Debt service				
Principal retirement	43,889	43,889	43,889	-
Interest and fiscal charges	<u>4,165</u>	<u>4,165</u>	<u>14,273</u>	<u>10,108</u>
Total expenditures	<u>48,054</u>	<u>48,054</u>	<u>58,162</u>	<u>10,108</u>
Excess of revenues over expenditures	-	-	481	481
Fund balance - beginning of year	<u>90,439</u>	<u>90,439</u>	<u>90,439</u>	<u>-</u>
Fund balance - end of year	<u>\$ 90,439</u>	<u>\$ 90,439</u>	<u>\$ 90,920</u>	<u>\$ 481</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Sunset/Softwater Special Revenue Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 46,890	\$ 46,890	\$ 46,960	\$ 70
Interest income	500	500	5,645	5,145
Total revenues	47,390	47,390	52,605	5,215
Expenditures				
Debt service				
Principal retirement	45,000	45,000	45,000	-
Interest and fiscal charges	2,390	2,390	12,775	10,385
Total expenditures	47,390	47,390	57,775	10,385
Deficiency of revenues over expenditures	-	-	(5,170)	(5,170)
Fund balance - beginning of year	115,741	115,741	115,741	-
Fund balance - end of year	\$ 115,741	\$ 115,741	\$ 110,571	\$ (5,170)

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Road Improvements Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 253,346	\$ 253,346	\$ 247,178	\$ (6,168)
Interest income	2,500	2,500	25,768	23,268
Total revenues	<u>255,846</u>	<u>255,846</u>	<u>272,946</u>	<u>17,100</u>
Expenditures				
Current				
Public works	85,846	85,846	551,447	465,601
Debt service				
Principal retirement	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Total expenditures	<u>255,846</u>	<u>255,846</u>	<u>757,402</u>	<u>501,556</u>
Deficiency of revenues over expenditures	-	-	(484,456)	(484,456)
Fund balance - beginning of year	<u>946,080</u>	<u>946,080</u>	<u>946,080</u>	<u>-</u>
Fund balance - end of year	<u>\$ 946,080</u>	<u>\$ 946,080</u>	<u>\$ 461,624</u>	<u>\$ (484,456)</u>

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Haviland Beach Special Revenue Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 21,134	\$ 21,134	\$ 26,590	\$ 5,456
Interest income	5,000	5,000	5,858	858
Total revenues	26,134	26,134	32,448	6,314
Expenditures				
Debt service				
Principal retirement	21,134	21,134	21,111	(23)
Interest and fiscal charges	-	-	4,636	4,636
Total expenditures	21,134	21,134	25,747	4,613
Excess of revenues over expenditures	5,000	5,000	6,701	1,701
Fund balance - beginning of year	144,865	144,865	144,865	-
Fund balance - end of year	<u>\$ 149,865</u>	<u>\$ 149,865</u>	<u>\$ 151,566</u>	<u>\$ 1,701</u>

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Lobdell Road Paving Special Revenue Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 32,841	\$ 32,841	\$ 35,431	\$ 2,590
Interest income	-	-	341	341
Total revenues	32,841	32,841	35,772	2,931
Expenditures				
Current				
Debt service				
Principal retirement	27,700	27,700	-	(27,700)
Interest and fiscal charges	5,141	5,141	2,656	(2,485)
Total expenditures	32,841	32,841	2,656	(30,185)
Excess of revenues over expenditures	-	-	33,116	33,116
Fund balance (deficit) - beginning of year	(37,024)	(37,024)	(37,024)	-
Fund balance (deficit) - end of year	<u>\$ (37,024)</u>	<u>\$ (37,024)</u>	<u>\$ (3,908)</u>	<u>\$ 33,116</u>

See Accompanying Notes to Financial Statements

Argentine Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	Wolcott Mill	Smith Road	Crest Drive	
Assets								
Cash and cash equivalents	\$ 41,087	\$ 158,953	\$ 6,025	\$ 17,122	\$ 515	\$ 237	\$ 464	\$ 224,403
Receivables								
Special assessments		-	41,677	3,093	-	-	-	44,770
Due from other funds	-	13,961	-	-	-	-	-	13,961
Total assets	<u>\$ 41,087</u>	<u>\$ 172,914</u>	<u>\$ 47,702</u>	<u>\$ 20,215</u>	<u>\$ 515</u>	<u>\$ 237</u>	<u>\$ 464</u>	<u>\$ 283,134</u>
Liabilities								
Accounts payable	\$ -	\$ 78,071	\$ -	\$ -	\$ -	\$ 237	\$ 464	\$ 78,772
Due to other funds	-	-	-	29,261	-	-	-	29,261
Deferred revenue	-	-	41,677	3,093	-	-	-	44,770
Total liabilities	<u>-</u>	<u>78,071</u>	<u>41,677</u>	<u>32,354</u>	<u>-</u>	<u>237</u>	<u>464</u>	<u>152,803</u>
Fund Balances								
Reserved for:								
Lakes	-	94,843	-	-	-	-	-	94,843
Unreserved								
Undesignated (deficit)	<u>41,087</u>	<u>-</u>	<u>6,025</u>	<u>(12,139)</u>	<u>515</u>	<u>-</u>	<u>-</u>	<u>35,488</u>
Total fund balances (deficit)	<u>41,087</u>	<u>94,843</u>	<u>6,025</u>	<u>(12,139)</u>	<u>515</u>	<u>-</u>	<u>-</u>	<u>130,331</u>
Total liabilities and fund balances	<u>\$ 41,087</u>	<u>\$ 172,914</u>	<u>\$ 47,702</u>	<u>\$ 20,215</u>	<u>\$ 515</u>	<u>\$ 237</u>	<u>\$ 464</u>	<u>\$ 283,134</u>

Argentine Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	Wolcott Mill	Smith Road	Crest Drive	
Revenues								
Special assessments	\$ 28,522	\$ 121,057	\$ 11,300	\$ 7,586	\$ -	\$ -	\$ -	\$ 168,465
Interest income	52	2,250	2	32	-	-	-	2,336
Total revenues	<u>28,574</u>	<u>123,307</u>	<u>11,302</u>	<u>7,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,801</u>
Expenditures								
Current								
Community and economic development	31,299	-	-	-	-	-	-	31,299
Recreation and culture	-	112,079	-	-	-	-	-	112,079
Debt service								
Interest and fiscal charges	-	-	817	-	-	-	-	817
Total expenditures	<u>31,299</u>	<u>112,079</u>	<u>817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,195</u>
Excess (deficiency) of revenues over expenditures	(2,725)	11,228	10,485	7,618	-	-	-	26,606
Other financing sources								
Transfers in	-	-	-	-	-	105	2,514	2,619
Net change in fund balance	<u>(2,725)</u>	<u>11,228</u>	<u>10,485</u>	<u>7,618</u>	<u>-</u>	<u>105</u>	<u>2,514</u>	<u>29,225</u>
Fund balance (deficit) - beginning of year	<u>43,812</u>	<u>83,615</u>	<u>(4,460)</u>	<u>(19,757)</u>	<u>515</u>	<u>(105)</u>	<u>(2,514)</u>	<u>101,106</u>
Fund balance (deficit) - end of year	<u>\$ 41,087</u>	<u>\$ 94,843</u>	<u>\$ 6,025</u>	<u>\$ (12,139)</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,331</u>



7810 N. Alger Road
Alma, MI 48801
(989) 463-6108 / (800) 466-6168
Fax (989) 463-8560

December 23, 2008

Township Board
Argentine Township
9048 Silver Lake Rd
Linden, Michigan 48451

We have completed our audit of the financial statements of Argentine Township as of and for the year ended June 30, 2008 and have issued our report dated December 23, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Communication of Internal Control Matters Identified During the Audit

II Auditors' Communication of Significant Matters with Those Charged with Governance

III Management Comments

We discussed these matters with various personnel in the organization during the audit and have already met with management on December 16, 2008.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Alma, Michigan

Appendix I

Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Argentine Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Argentine Township internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

JOURNAL ENTRIES

We proposed 18 adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

SEGREGATION OF DUTIES

During inquiry with township employees regarding internal control procedures it was noted that the accounts payable clerk initiates all check writing, receives the signed checks back from the authorized check signers, and mails the checks. We suggest that an employee other than the accounts payable clerk mail the checks once they have been signed. This will increase the segregation of duties for cash disbursements.

Appendix II
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated August 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters in the engagement letter.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. There were no new policies or changes to existing policies during the year. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no difficulties in performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix III

Management Comments

In planning and performing our audit of the financial statements of Argentine Township as of and for the year ended June 30, 2008, we considered Argentine Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated December 23, 2008, on the financial statements of Argentine Township. Our comments and recommendations regarding those matters are:

ACCOUNTING POLICY AND PROCEDURES MANUAL

Argentine Township's employees maintain segregation of duties as much as possible with limited staff, however, no written established policies or procedures were available.

We suggest the Township document policies and procedures relating to accounting record keeping and financial decision making. The Michigan Department of Treasury's Local Government Audit and Finance Division has a manual titled *Uniform Accounting Procedures Manual* available to assist local units of government in preparation of such written procedures.

In addition, the Michigan Townships Association has information available to assist Officials in preparing and adopting policies and procedures for the Township.

BUDGETING

The original and final General Road Improvements Fund budgets showed expenditures equal to revenues while the actual expenditures over revenues were over \$484,000. In addition, actual expenditures exceeded the final budgeted amounts for various line items in General Fund, Garbage Fund, Peninsular & Belfast Special Revenue Fund, Sunset Softwater Special Revenue Fund, and Haviland Beach Special Revenue Fund. We recommend that the Township take measures to properly plan and amend the Township's budgets so that the budgets may be used to properly plan for the Township's needs, and to ensure compliance with laws and regulations.